

INFORMATION REPORT

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COUNTRY China/SSR

SUBJECT USSR procurement of Strategic Metals in China

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1. [redacted] there is considerable discontent in Peiping arising from the fact that the USSR insists that Communist China repay the loans which the USSR made to Nationalist China.* Under the terms of the old loan agreement, China must ship to the USSR each year, in payment of the loan, 2,500 metric tons of tungsten concentrates, 1,500 tons of antimony and 1,000 tons of tin. China will receive no payment for these shipments, but the USSR has offered to pay the Chinese Communist government in US dollars for all tungsten, tin and antimony above the amounts specified in the Nationalist agreement.
2. The USSR specifications on these minerals which the Soviet advisers presented to the Chinese Communist government are as follows:
 - a. Tin - The USSR will accept all 99.6% tin. Every attempt is to be made to refine tin to this standard. Lower grades will be accepted, but with heavy penalties for impurities.**
 - b. Tungsten concentrates - All shipments must meet the following requirements: 65 %O₂ .012 tin and .0018 arsenic.***
3. A [redacted] firm which received an order to supply [redacted] molybdenum concentrates approached the Chinese Communist representatives in the effort to purchase a small tonnage from China. The Chinese Communist officials informed the firm that they could not supply tungsten concentrates, tin, antimony metal or molybdenum concentrates as yet, but that they could supply lead concentrates, talc which the officials claimed to be block talc, amorphous graphite (85% carbon), gypsum, magnesite (dead burned) and coal.

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- * [redacted] Comment. [redacted] there was already discontent 50X1-HUM about some of the goods bartered to the USSR, for the Chinese Communists had learned that the USSR had sold pig bristles, received from China

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under barter, at prices lower than those quoted by the Chinese Communist government. [] the anti-Soviet faction in reiping is getting stronger, but thus far has been afraid to make a stand. [] Jardine representatives in Peiping have been supplying the Chinese Communists with the price offerings on Chinese bristles and other Chinese products in Western and Eastern Europe. The alleged discontent may have its basis in this information. 50X1-HUM

** [] Comment. [] the USSR was purchasing tin in Hong Kong and Macao as low as 96%. [] the USSR purchased tin above 99%, with the exception of one transaction. 50X1-HUM

[] the Papu (111-25, 24-29) smelter in Kwangsi can meet the new USSR standard, 99.6%, without difficulty, and [] six native smelters in Kwangsi can also meet 99.6%. The Kwangsi tin is placer tin, free of impurities, while Yunnan tin is lode tin, high in impurities. The Kochiu (103-05, 23-22), Yunnan, smelter of the Yunnan Consolidated Tin Corporation can turn out 200 metric tons of 99.6% tin per month without difficulty, but none of the 15 native smelters in the area can meet 99.6%. Not much more than 4,000 metric tons of 99.6% tin could be produced by Chinese smelters in one year, although the mines could turn out several times this amount. Hong Kong metal dealers say that [] the total tonnage of tin concentrate stocks in China was about 5,000 tons, 4,000 tons of which was in Yunnan, and that the stock of tin metal in China was about 1,450 tons, nearly 900 tons of which will not meet 99.6%. It is probable that the concentrate figure is at least 500 tons higher than this estimate. 50X1-HUM

*** [] Comment. These specifications, which the Soviets presented in the form given above, caused consternation among the new Chinese officials, who are inexperienced in the metal business, for they assumed that the percentage signs, which they customarily use, had been omitted, and that the Soviets wanted maximum limits of .012% tin and .0018% arsenic. [] 50X1-HUM

[] In distributing the specifications, the Chinese added a percentage mark without reducing the decimal two places, as would have been necessary for the correct interpretation of the Russian figures. [] the Chinese Communist government was trying to buy 10 magnetic separators. 50X1-HUM

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